



Petroleum Market Report

June 19, 2000

Energy Information Administration
Office of Oil & Gas

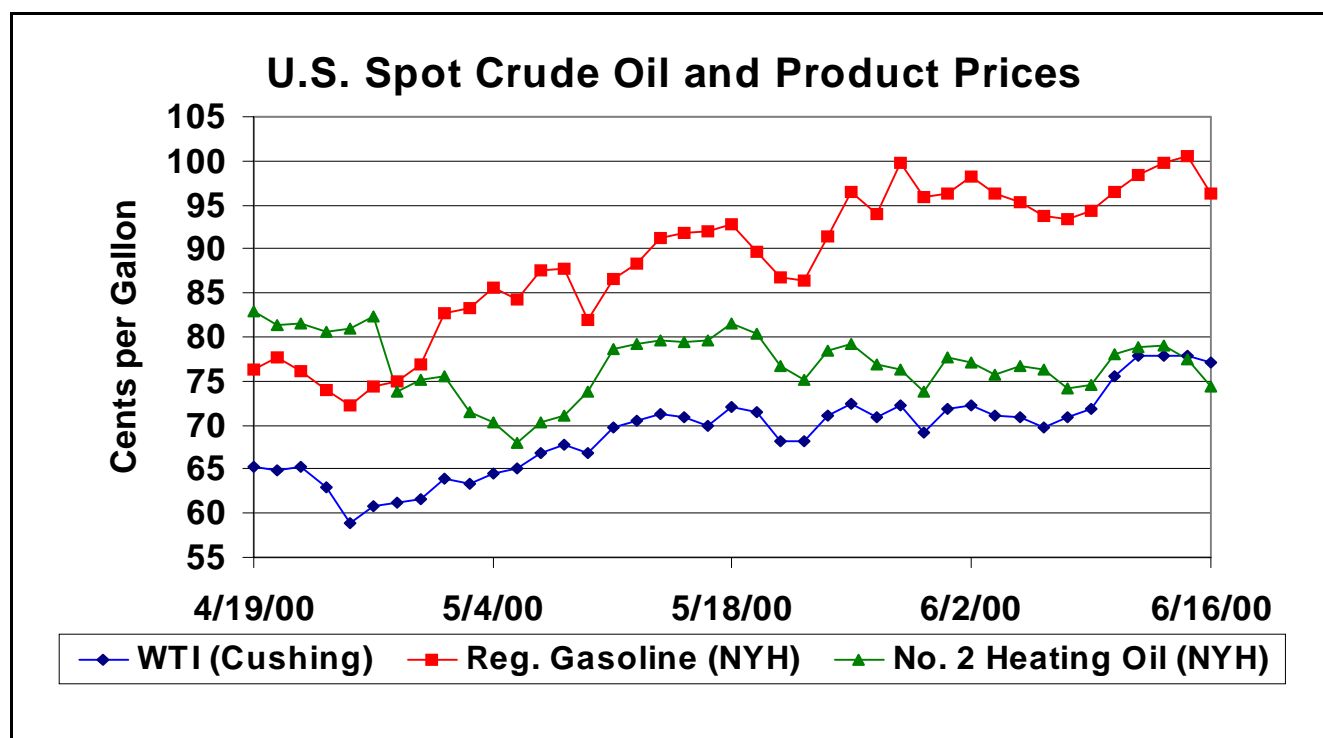
MARKET SUMMARY

Anticipation of the June 21 OPEC meeting largely dominated U.S. and global oil markets last week, though Midwest gasoline supply concerns remained a significant issue. Spot and futures prices began the week in continuation of an upswing begun before the weekend, as OPEC members issued statements downplaying the need for additional production, and blaming high prices on the U.S. gasoline market. As the week progressed, upward momentum stalled, amid OPEC indecision and rumors of possible government action on requested RFG waivers. By Friday, traders were reported liquidating positions ahead of the weekend, as OPEC appeared more likely to increase production, and the Strategic Petroleum Reserve released emergency stocks to two Louisiana refineries due to a blocked waterway.

Crude oil - global events remained the most important element in U.S. petroleum markets, as is typically the case in advance of a scheduled OPEC meeting. WTI prices rose through Tuesday, and briefly surpassed \$33 per barrel on Wednesday, on mixed signals from a number of OPEC members as to whether and how much the cartel would agree to increase production. Market sentiment shifted downward late in the week, as Saudi Arabian and Mexican officials met privately in Amsterdam, and other OPEC members issued statements supporting a production increase. A sunken drydock barge in Lake Charles, Louisiana, prompted a loan of SPR crude oil to the Citgo and Conoco refineries there.

Gasoline - supplies and prices remained a heated issue, particularly in the Midwest. EPA and DOE held meetings with refiners supplying the Chicago and Milwaukee areas, in an attempt to restrain soaring RFG prices. Scattered refinery and pipeline outages continued to complicate regional supply rebuilding.

Distillate - prices directionally followed crude oil, but weakened more sharply by Friday, turning refinery crack spreads negative. Stocks continued to rise seasonally in the week ending June 9.



CHRONOLOGY OF RECENT MARKET EVENTS

- 6/16 - falling** - all prices turned downward, led by product weakness, as traders liquidated positions ahead of the weekend. In the face of next week's OPEC meeting in Vienna, more members indicated the likelihood of a significant output increase. EPA reportedly hinted at RFG waivers for Chicago and Milwaukee, involving the payment of a penalty for conventional gasoline sold in those areas.
- 6/15 - mixed** - gasoline prices gained, while crude oil held nearly flat for a second day, with markets finding little news to go on from pre-OPEC-meeting discussions between Saudi Arabia and Mexico. DOE authorized an emergency release from the Strategic Petroleum Reserve due to a barge sinking near Lake Charles, Louisiana, which cut off imports to two refineries.
- 6/14 - mixed** - gasoline and NYMEX crude oil moved moderately higher, while distillate and spot crude ended near unchanged. WTI briefly surpassed \$33 per barrel, before falling on reports of a meeting between Saudi Arabian and Mexican officials in Amsterdam. Problems at Gulf Coast and Chicago-area refineries maintained upward pressure on gasoline prices.
- 6/13 - rising** - prices rose across the board for a third day, as markets remained fixated on the coming OPEC meeting. OPEC members were reported as attributing high crude oil prices to strong U.S. gasoline markets, and downplaying the need for increased production.
- 6/12 - rising** - all prices continued upward, led by crude oil, amid continued uncertainty over OPEC direction ahead of its June 21 meeting. Strong gasoline prices remained a major factor, with EPA and DOE meeting with Midwest suppliers, and the Wolverine Pipeline still shut due to a leak.
- 6/9 - rising** - crude oil led all prices higher, as OPEC members continued to delay making a commitment to raise output, despite earlier promising to raise production if prices rose beyond a prescribed band. A general strike in Nigeria caused some concern, but was offset by U.N. Security Council approval of a six-month extension of the Iraqi "oil for food" program, with no limit on volumes.
- 6/8 - mixed** - most prices ended lower, following reports that Saudi Arabia might propose an OPEC output increase at least twice the size of the "automatic" increase still not implemented. A new refinery problem was reported on the Gulf Coast, while a leak shut a major products pipeline in Michigan.
- 6/7 - mixed** - crude oil and gasoline futures prices rose, while others fell, in response to a variety of domestic and international influences. OPEC members indicated the possibility of delaying any output increase until their June 21 meeting, while refineries on both the East and West coasts were experiencing problems.
- 6/6 - mixed** - gasoline prices eased, distillates rose, and crude oil was nearly flat, ahead of the weekly API and EIA supply reports. Crude oil was pressured downward by reports that Iraqi exports would see little interruption, and that OPEC would not delay increasing output.
- 6/5 - falling** - spot and futures prices dropped across the board in thin trading, amid mixed signals from OPEC members on the automatic nature of a price-band-related production increase. A reported rise in Iraqi exports last week was also a factor.